

Summary of Iowa's Tobacco Settlement

The following is a summary of Iowa's tobacco settlement payments and securitization process:

- On November 20, 1998, 46 states approved a settlement agreement with the four major tobacco industry manufacturers comprising 99.4% of the United States cigarette market.
- Under the Master Settlement Agreement (MSA), Iowa began receiving annual payments from the tobacco industry in FY 1999.
- Iowa receives annual payments from the tobacco industry that range between \$50.0 million and \$80.0 million annually.
- A total of 78.0% of the annual payment goes to a trustee to pay the debt service on the bonds that were issued in 2001 and then restructured in 2005. The debt service payments range from \$39.0 million to \$62.0 million.
- The remaining 22.0% is currently deposited into the Rebuild Iowa Infrastructure Fund (RIIF) and totals between \$11.0 million to \$16.0 million annually. Originally, the 22.0% was deposited in the Endowment for Iowa's Health Account.
- Page 2 shows the Tobacco Settlement Revenues by fiscal year projected to FY 2049.
- Page 3 shows the amount of net proceeds the State received in FY 2002 from the initial sale of the tobacco bonds and the net proceeds received in FY 2005 from the restructuring. The net proceeds represent the amounts that were available to the General Assembly for appropriation, after cost of issuance and debt service reserve fund requirements were deducted.
- Page 4 is a flow chart of the initial tobacco securitization.
- Pages 5 and 6 show the history of revenues and expenditures of the Endowment for Iowa's Health Account and the Healthy Iowans Tobacco Trust Fund. These Funds were closed out in FY 2010 and FY 2009, respectively.

State of Iowa
Tobacco Settlement Revenues (TSRs)

	Revenue Year	100% TSRs	78% TSRs	22% TSRs
Actual	FY 1999	\$ 21,472,341		
Actual	FY 2000	49,701,312		
Actual	FY 2001	54,466,261		
Actual	FY 2002	63,176,347	\$ 49,277,551	\$ 13,898,796
Actual	FY 2003	63,116,239	49,230,666	13,885,573
Actual	FY 2004	54,060,688	42,167,337	11,893,351
Actual	FY 2005	54,818,753	42,758,627	12,060,126
Actual	FY 2006	50,258,248	39,201,433	11,056,815
Actual	FY 2007	52,851,371	41,224,069	11,627,302
Actual	FY 2008	75,488,464	58,881,002	16,607,462
Actual	FY 2009	81,559,637	63,616,517	17,943,120
Actual	FY 2010	68,669,779	53,562,428	15,107,351
Actual	FY 2011	64,398,999	50,231,219	14,167,780
Est	FY 2012	72,298,262	56,392,644	15,905,618
Est	FY 2013	72,604,749	56,631,704	15,973,045
Est	FY 2014	72,914,434	56,873,259	16,041,176
Est	FY 2015	73,227,394	57,117,367	16,110,027
Est	FY 2016	73,543,706	57,364,091	16,179,615
Est	FY 2017	73,863,452	57,613,493	16,249,959
Est	FY 2018	60,924,019	47,520,735	13,403,284
Est	FY 2019	61,671,843	48,104,038	13,567,805
Est	FY 2020	62,429,725	48,695,186	13,734,540
Est	FY 2021	63,197,827	49,294,305	13,903,522
Est	FY 2022	63,976,311	49,901,523	14,074,788
Est	FY 2023	64,765,343	50,516,968	14,248,375
Est	FY 2024	65,565,093	51,140,773	14,424,321
Est	FY 2025	66,375,735	51,773,073	14,602,662
Est	FY 2026	67,197,445	52,414,007	14,783,438
Est	FY 2027	68,030,403	53,063,714	14,966,689
Est	FY 2028	68,874,793	53,722,339	15,152,454
Est	FY 2029	69,730,802	54,390,026	15,340,776
Est	FY 2030	70,598,623	55,066,926	15,531,697
Est	FY 2031	71,478,449	55,753,190	15,725,259
Est	FY 2032	72,370,482	56,448,976	15,921,506
Est	FY 2033	73,274,924	57,154,441	16,120,483
Est	FY 2034	74,191,983	57,869,747	16,322,236
Est	FY 2035	75,121,871	58,595,059	16,526,812
Est	FY 2036	76,064,806	59,330,549	16,734,257
Est	FY 2037	77,021,008	60,076,386	16,944,622
Est	FY 2038	77,990,702	60,832,748	17,157,954
Est	FY 2039	78,974,121	61,599,814	17,374,307
Est	FY 2040	79,971,498	62,377,768	17,593,730
Est	FY 2041	80,983,076	63,166,799	17,816,277
Est	FY 2042	82,009,100	63,967,098	18,042,002
Est	FY 2043	83,049,820	64,778,860	18,270,960
Est	FY 2044	84,105,494	65,602,285	18,503,209
Est	FY 2045	85,176,384	66,437,580	18,738,804
Est	FY 2046	86,262,757	67,284,950	18,977,807
Est	FY 2047	87,364,888	68,144,613	19,220,275
Est	FY 2048	88,483,056	69,016,784	19,466,272
Est	FY 2049	89,617,547	69,901,687	19,715,860

* The estimates are from a 2009 report furnished by IHS Global Insights.

State of Iowa
Net Proceeds of Tobacco Securitization

FY 2002 Net Proceeds

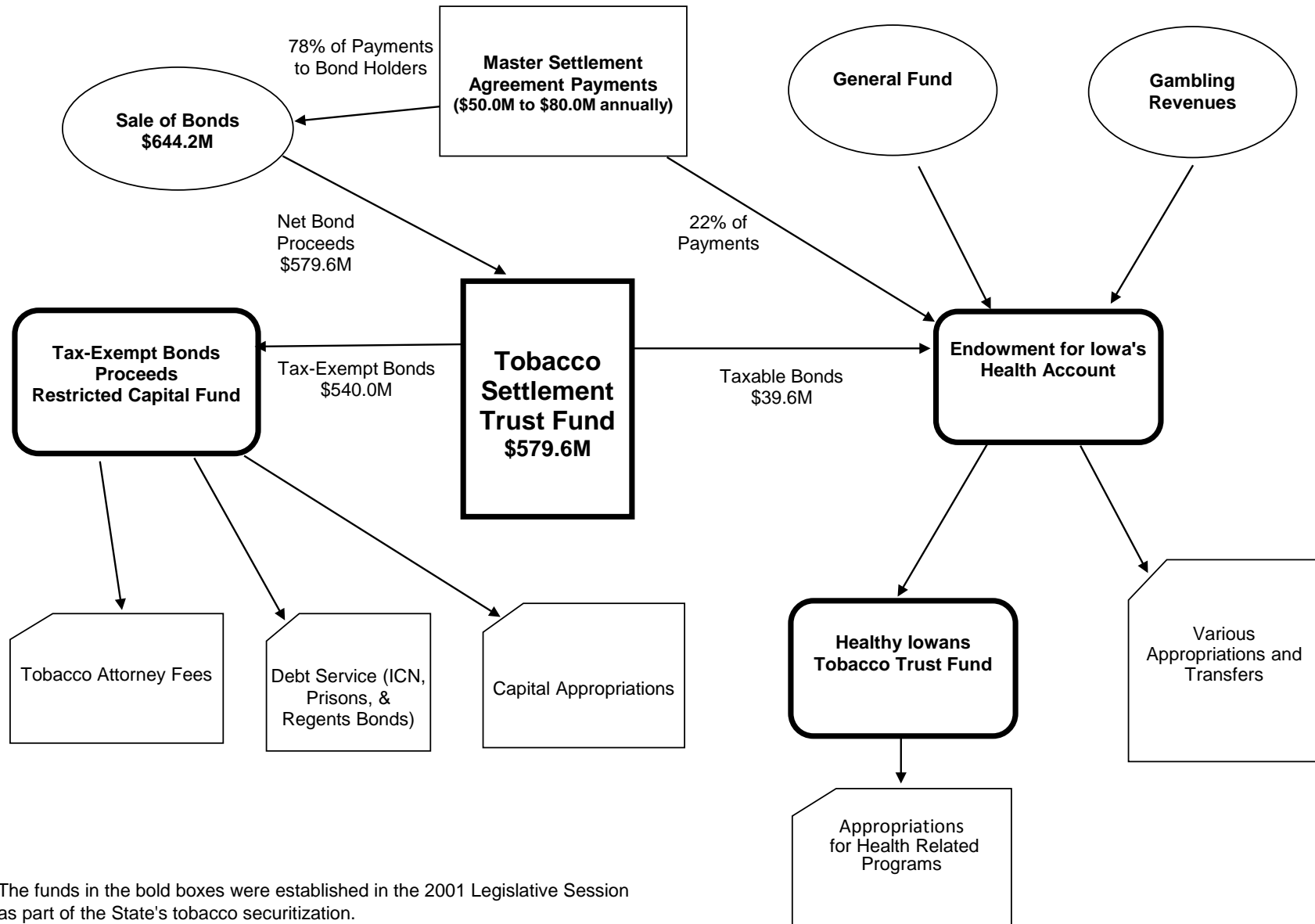
Restricted Capital Fund (Tax-Exempt Bonds)	\$ 540,045,010
Endowment for Healthy Iowans (Taxable Bonds)	<u>39,551,202</u>
Total Allocations	<u>\$ 579,596,212</u>

FY 2005 Net Proceeds

Endowment for Iowa's Health - Restricted Capitals Fund	\$ 100,493,926
Endowment for Healthy Iowans (Taxable Bonds)	<u>50,176,574</u>
Total Allocations	<u>\$ 150,670,500</u>

TOTAL	<u><u>\$ 730,266,712</u></u>
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2001 Tobacco Securitization Flow of Funds



The funds in the bold boxes were established in the 2001 Legislative Session as part of the State's tobacco securitization.

Tobacco Settlement Trust Fund Endowment for Iowa's Health Account

	Actual FY 2002	Actual FY 2003	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010
Resources									
Balance	\$ 0	\$ 22,364,148	\$ 25,800,689	\$ 27,187,146	\$ 38,301,245	\$ 109,724,840	\$ 90,456,808	\$ 40,142,000	\$ 0
Bond Proceeds	39,551,202	0	0	0	50,176,574	0	0	0	0
General Fund Appropriation	7,175,520	0	0	0	0	0	0	0	0
Wagering Tax Allocation	80,000,000	75,000,000	70,000,000	70,000,000	70,000,000	70,000,000	0	0	0
22% of MSA Payment	13,998,027	21,186,059	12,812,926	14,882,965	14,445,847	14,007,784	19,690,269	21,003,604	552,259
Tobacco Settlement Residuals	0	16,657,667	0	0	0	0	0	0	0
Interest	1,139,399	1,018,060	714,604	1,026,482	2,776,170	5,499,804	4,176,557	444,916	19,893
Miscellaneous	0	0	-271,738	0	0	0	57,745	0	0
Total	\$ 141,864,148	\$ 136,225,934	\$ 109,056,481	\$ 113,096,593	\$ 175,699,836	\$ 199,232,428	\$ 114,381,379	\$ 61,590,520	\$ 572,152
Appropriations and Transfers									
HITT Standing Appropriation	\$ 55,000,000	\$ 55,825,000	\$ 56,662,375	\$ 57,512,311	\$ 58,374,996	\$ 59,250,620	\$ 60,139,379	\$ 36,690,292	\$ 0
HITT Appropriation (Session Law)	0	9,000,000	5,206,960	6,316,077	7,600,000	10,925,000	9,100,000	4,112,125	0
Transfer to General Fund	22,000,000	9,000,000	20,000,000	0	0	0	0	20,788,103	0
Senior Living Trust Fund	0	0	0	0	0	25,000,000	0	0	0
Student Achievement/Teacher Quality	40,000,000	0	0	0	0	0	0	0	0
School Aid Appropriation	0	20,000,000	0	0	0	0	0	0	0
Regents Tuition Replacement	0	16,843,772	0	0	0	0	0	0	0
DNR - Lake Restoration	0	0	0	0	0	8,600,000	0	0	0
Treasurer - Water Protection	0	0	0	0	0	5,000,000	5,000,000	0	0
Transfer to Rebuild Iowa Infra. Fund	0	0	0	10,966,960	0	0	0	0	572,152
Medicaid Supplemental	2,500,000	0	0	0	0	0	0	0	0
Total	\$ 119,500,000	\$ 110,668,772	\$ 81,869,335	\$ 74,795,348	\$ 65,974,996	\$ 108,775,620	\$ 74,239,379	\$ 61,590,519	\$ 572,152
Reversions	0	-243,527	0	0	0	0	0	0	0
Ending Balance	\$ 22,364,148	\$ 25,800,689	\$ 27,187,146	\$ 38,301,245	\$ 109,724,840	\$ 90,456,808	\$ 40,142,000	\$ 0	\$ 0

MSA = Master Settlement Agreement

Healthy Iowans Tobacco Trust Fund

	Actual FY 2002	Actual FY 2003	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009
Resources								
Balance Forward	\$ 11,305,232	\$ 1,702,239	\$ 1,526,749	\$ 107,653	\$ 681,002	\$ 1,063,019	\$ 1,615,319	\$ 1,215,462
Balance Adjustment	0	-15,363	0	0	3,905	0	0	0
Statutory Endowment Transfer	55,000,000	55,825,000	56,662,375	57,512,311	58,374,995	59,250,621	60,139,379	36,690,292
Endowment (Wagering Tax Allocation)	0	9,000,000	5,206,960	6,316,077	7,600,000	10,925,000	9,100,000	4,112,125
Interest Earned	537,616	109,043	79,061	153,781	184,106	468,032	294,639	470,100
Miscellaneous	119	0	2,322	74	0	660	1,393	250
Total Available Resources	<u>\$ 66,842,967</u>	<u>\$ 66,620,919</u>	<u>\$ 63,477,466</u>	<u>\$ 64,089,896</u>	<u>\$ 66,844,008</u>	<u>\$ 71,707,332</u>	<u>\$ 71,150,730</u>	<u>\$ 42,488,229</u>
Appropriations								
Public Health	\$ 25,795,394	\$ 17,465,064	\$ 19,633,525	\$ 19,509,525	\$ 20,907,525	\$ 24,114,425	\$ 23,803,425	\$ 24,789,225
Human Services	32,771,426	44,871,426	39,618,176	39,892,176	39,892,176	39,892,176	40,692,176	4,389,808
Corrections	609,999	1,710,000	2,107,285	2,167,285	3,201,285	3,986,474	4,006,474	4,477,474
Education	1,153,250	1,153,250	2,153,250	2,153,250	2,153,250	2,303,250	2,458,250	2,658,250
Dept. for the Blind	0	0	0	130,000	130,000	130,000	0	0
Economic Development	0	0	0	0	0	125,000	125,000	125,000
Appeal Board Claims	0	0	0	2,096	7,375	87,874	164,137	28,742
Total Appropriations	<u>\$ 60,330,069</u>	<u>\$ 65,199,740</u>	<u>\$ 63,512,236</u>	<u>\$ 63,854,332</u>	<u>\$ 66,291,611</u>	<u>\$ 70,639,199</u>	<u>\$ 71,249,462</u>	<u>\$ 36,468,499</u>
Reversions	-1,189,341	-105,570	-142,423	-445,438	-510,623	-547,187	-1,314,194	-216,928
General Fund Transfer	6,000,000	0	0	0	0	0	0	6,236,658
Ending Balance	<u><u>\$ 1,702,239</u></u>	<u><u>\$ 1,526,749</u></u>	<u><u>\$ 107,653</u></u>	<u><u>\$ 681,002</u></u>	<u><u>\$ 1,063,019</u></u>	<u><u>\$ 1,615,319</u></u>	<u><u>\$ 1,215,462</u></u>	<u><u>\$ 0</u></u>